

**Part 2A of Form ADV  
Firm Brochure**

March 5, 2024

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dba Catalyst Wealth Management**  
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This brochure provides information about the qualifications and business practices of Catalyst Wealth Management. If you have any questions about the contents of this brochure, please contact us at 773-774-2600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Catalyst Wealth Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with interim disclosures about material changes as necessary. At this time there are no material changes from the last annual update of this disclosure statement issued on February 6, 2023.

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## Item 4: Advisory Business

### A. Schmidt Advisory Services, Inc. dba Catalyst Wealth Management

Schmidt Advisory Services, Inc. (the “**Firm**,” “**we**” or “**us**”) is organized as an Illinois corporation. The Firm was previously registered as a state investment adviser from 1993 until 2008 (under the CRD No. 114576), is currently registered under the CRD No. 283728, and is principally owned by Sanford Schmidt, who is also the Firm’s President. In May 2019, we began doing business as Catalyst Wealth Management.

### B. Advisory Services Offered

We primarily offer portfolio asset management services, which include recommendation of third-party separate account managers. We also provide financial and estate planning services as well as private fund recommendations to appropriately qualified clients. In this Brochure, we refer to our portfolio asset management, financial and estate planning services and private fund recommendations collectively as our “**Advisory Services**,” and the clients to whom we provide them as our “**Advisory Clients**.” In addition to providing our Advisory Services to our Advisory Clients, we also anticipate sponsoring and managing one or more private funds (“**Private Funds**”).

#### B.1. Portfolio Asset Management Services—Advisory Clients

Our discretionary asset management services are predicated on the Advisory Client’s investment objectives, goals, tolerance for risk, and other personal and financial circumstances. We will analyze each Advisory Client’s current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance and implement a portfolio consistent with such investment objectives, goals, risk tolerance and related financial circumstances. Our objective is to review the Advisory Client’s tax, financial, and estate planning objectives and goals in connection with the client’s investment objectives, goals, tolerance for risk, and other personal and financial circumstances and make appropriate recommendations and implementation decisions. We may engage third-party service providers to assist with the tax and estate planning portion of the services provided to Advisory Clients. In addition, we may utilize third-party software to analyze individual security holdings and separate account managers utilized within an Advisory Client’s portfolio.

Our investment advisory services take into account an Advisory Client’s personal financial circumstances, and our engagement will include, as appropriate, the following:

- Providing assistance in reviewing the Advisory Client’s current investment portfolio against the client’s personal and financial circumstances disclosed to us in response to a questionnaire and/or in discussions with the client and reviewed in meetings.
- Analyzing the client’s financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Retaining independent investment managers.
- Reporting to the Advisory Client on a quarterly basis or at some other interval agreed upon with the client, information on contributions and withdrawals in the client’s investment portfolio, and the performance of the portfolio measured against appropriate benchmarks (including benchmarks selected by the client).
- Proposing changes in the Advisory Client’s investment portfolio in consideration of changes in the client’s personal circumstances, investment objectives and tolerance for risk, the performance record of any of the client’s investments, and/or the performance of any investment manager retained by the client.
- If the Advisory Client’s portfolio and personal circumstances, investment objectives, and tolerance for risk make such advice appropriate, providing recommendations into alternative investments such as real estate, private equity, and hedge fund investments. This would be discussed and agreed upon with the Advisory Client prior to incorporating any such investments.

In addition to providing us with information regarding their personal financial circumstances, investment objectives and tolerance for risk, Advisory Clients must provide us with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify us in writing of any changes in such restrictions or in the

Advisory Client's personal financial circumstances, investment objectives, goals and tolerance for risk. We remind clients of their obligation to inform us of any such changes or any restrictions that should be imposed on the management of their account. We also contact Advisory Clients at least annually to determine whether there have been any changes in their personal financial circumstances, investment objectives and tolerance for risk.

### **B.2. Private Alternative Investments—Advisory Clients**

We also provide initial and ongoing diligence, assistance with selection, and ongoing reporting and monitoring of Advisory Clients' separately selected private alternative investments ("**PAIs**"). We will have no authority to select PAIs for Advisory Clients or take any action respecting the PAIs. Upon client request, we will assist with implementing PAI investment decisions.

While we do sponsor and manage certain Private Funds described below, we do not sponsor PAIs, nor do we offer or control any PAI. It is the client's responsibility to carefully investigate any potential PAI investment they make, including by assessing the risks, fees, expenses, and any conflicts of interest associated with the PAI. Further, most PAIs have severe restrictions on transferability and therefore investors may be required to remain invested in any given PAI for many years.

### **B.3. Financial & Estate Planning Services**

The Advisory Client will receive a written or oral report (depending on the client's preference) that provides the client with a detailed financial plan designed to help achieve the client's stated financial goals and objectives. Based on the client's needs, financial planning services generally include the following:

- Preparation of a consolidated assessment of financial condition, which may include:
  - Annual budgeting
  - Cash flow monitoring
  - Account reconciliations
  - Personal financial statement preparation
  - Debt management
- Establishment of objectives over relevant timeframes, which may include:
  - Retirement objectives
  - Philanthropy
  - Estate planning
  - Wealth transition
  - Other related issues
- Preparation of a recommended asset allocation that serves to diversify the client's portfolio among different categories of investments, such as:
  - Small, medium, and large capitalization securities
  - Corporate and government fixed income (short-, intermediate-, and long-term maturities)
  - Emerging market securities (i.e., foreign issuers)
  - Such other asset categories that are suitable in light of the client's investment goals, objectives, and risk tolerance
- Preparation of a retirement plan that serves to identify whether the Advisory Client is saving enough and investing in a way that meets retirement objectives in light of the client's financial circumstances and risk tolerance.
- Risk analysis and preparation of an insurance plan to meet the needs of the Advisory Client, taking into account their family, business, and other financial objectives.

- Preparation of an estate plan to ensure that wealth transition, tax, and related issues are met in accordance with the client's wishes. In many instances, an outside attorney will need to be hired to handle specific legal issues that arise in the formation and implementation of an estate plan, which may include the following topics:
  - Estate planning
  - Estate administration
  - Charitable/philanthropic planning
  - Advice on wills and trust agreements
  - Business transition planning
  - Retirement and distribution planning

We gather information through in-depth personal interviews and questionnaires. Information gathered includes the client's current financial status, investment objectives, future goals, and attitudes toward risk. Related documents supplied by the client are carefully reviewed, and a report is prepared covering one or more of the above-mentioned topics as directed by the client.

#### **B.4. Private Funds**

Among other services explained in this Brochure, we may from time to time develop, offer and manage Private Funds that have varying investment objectives and strategies, and those strategies may differ considerably from those we recommend in our services described above. Each Private Fund's objectives, fees, risks and conflicts of interest are discussed in the fund's offering memorandum ("**Memorandum**"), and its terms set by its governing documents (such as a limited partnership agreement or operating agreement, the "**Governing Documents**," together with the Memorandum, the "**Offering Documents**").

Private Funds are expected to be only suitable for investors with no or a limited need for liquidity in their investment, for whom an investment in the Private Fund does not constitute a complete investment program, and for those who fully understand the Private Fund's risks, fees and conflicts of interest. Because Private Fund investments are often illiquid or conditionally liquid, and involve additional degrees of risk, they will only be recommended to accredited investors when the recommendation and implementation are consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

#### **C. Client-Tailored Services & Client-Imposed Restrictions**

Each Advisory Client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

#### **D. Wrap Fee Programs**

Catalyst Wealth does not participate in wrap fee programs, where certain brokerage commissions and transaction costs are included in the asset-based fee charged to the client.

#### **E. Advisory Client Assets Under Management**

As of December 31, 2023, Catalyst Wealth had \$71,711,751 in discretionary assets and \$0 in non-discretionary assets under management.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Portfolio Asset Management Fees

Our fee for portfolio asset management services is an asset-based fee calculated as a percentage of the value of the managed assets, calculated according to the following fee schedule, which represents our maximum fees for individual services. All fees are negotiable.

Assets Under Management	Annual Fee Rate
\$250,000 - \$999,999	1.0%
\$1,000,000 - \$3,000,000	0.85%
\$3,000,001 - \$5,000,000	0.70%
\$5,000,001+	0.65%

The Advisory Client authorizes the qualified custodian to automatically deduct the fee and all other charges payable thereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. We may modify the fee at any time upon 30 days' written notice to the Advisory Client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

Asset-based fees are always subject to the investment advisory agreement between the client and us. Fees are payable either quarterly or monthly in arrears, and will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month or quarter. Adjustments for significant contributions to an Advisory Client's portfolio are prorated for the month or quarter in which the change occurs; no adjustments will be made for withdrawals.

A client investment advisory agreement may be canceled at any time by the Advisory Client, or by us with 30 days' prior written notice to the client. A financial planning agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination of any account, any earned, unpaid fees will be due and payable.

#### A.2. PAI Services Fees

PAI services are offered as either an asset-based fee or a negotiated flat fee as agreed upon between the Advisory Client and Catalyst Wealth. If an asset-based fee is selected, such fee is calculated as a percentage of the value of the managed assets, calculated according to the following fee schedule, which represents the advisor's maximum fees for individual services. All fees are negotiable.

Assets Under Management	Annual Fee Rate
\$250,000 - \$999,999	1.0%
\$1,000,000 - \$3,000,000	0.85%
\$3,000,001 - \$5,000,000	0.70%
\$5,000,001+	0.65%

The Advisory Client authorizes the qualified custodian to automatically deduct the fee and all other charges payable thereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client. We may modify the fee at any time upon 30 days' written notice to the client. In the event the Advisory Client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

Advisory fees are always subject to the investment advisory agreement between the Advisory Client and us. Such fees are payable either quarterly or monthly in arrears. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month or quarter. Adjustments for significant contributions

to a client's portfolio are prorated for the month or quarter in which the change occurs; no adjustments will be made for withdrawals.

An Advisory Client's investment advisory agreement may be canceled at any time by the client, or by us with 30 days' prior written notice. Upon termination of any account, any earned, unpaid fees will be due and payable. Unless a client has received this Brochure at least 48 hours prior to signing the investment advisory contract, the investment advisory contract may be terminated by the client within five business days of signing the contract without incurring any advisory fees.

### **A.3. Fixed Fee Arrangements**

For Advisory Clients with at least \$500,000 in assets under management with us, we will provide a financial plan at no additional cost, otherwise we charge \$2500 for a financial plan. Such financial plan will include the following:

- Meeting with the client to discuss goals and objectives of their wealth.
- Preparation of a financial statement from their list of assets in order to discuss each asset and purpose of asset.
- Review and discussion of asset allocation, risk tolerance, and analyze existing assets for goals and objective correlation.
- Review of income tax status to see if taxes can be reduced through effective retirement planning programs.
- Review of the foundation of client's planning in terms of having the proper legal documentation to distribute their assets upon death along with proper ownership arrangements.
- Analysis of asset performance and fees compared to the benchmarks along with review of life insurance contracts for credit quality of the carrier along with pricing.
- Written summary of all of our findings to review with client and make appropriate recommendations correlated with their goals and objectives.

We also provide more comprehensive estate planning and wealth transfer services. Such planning services typically range from \$5,000 for a minimum net worth client, up to \$50,000 depending on complexity of the plan, which may include estate planning, life insurance portfolio management, wealth transition, business succession planning, philanthropy planning and/or related issues. We will provide the prospective client with an estimate of the charges prior to finalizing the financial planning agreement. The client will receive a completed plan (either orally or in writing as requested by the client) generally within three months, but no more than six months of the engagement. We require 50% of the fee to be paid in advance prior to the start of the project, with the remainder to be paid upon completion and delivery of the plan. Clients seeking to terminate this service must do so in writing.

### **A.4. Private Funds**

Our compensation from a given Private Fund will vary and is explained in its Offering Documents. Typically we will earn a management fee and may also earn a performance-based fee from the Private Fund. Management fees are typically based upon a Private Fund's net asset value or the amount contributed by investors. We and/or our affiliates may earn additional fees from a given Private Fund, as described in the fund's Offering Documents. Private Funds are each responsible for their own fees and expenses, such as audit expense, tax accounting and preparation, K-1 reporting, brokerage, legal fees, and other fund operating expenses.

## **B. Advisory Client Payment of Fees**

For its asset-based fees, we require Advisory Clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to our consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Advisory Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

We will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.



### **C. Additional Advisory Client Fees Charged**

In addition to our fee, Advisory Clients may incur certain charges imposed by custodians, brokers, third-party investment and other third parties such as fees charged by managers, PAIs, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, mutual fund sales loads, 12(b)-1 fees, surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and other fees and taxes. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Advisory fees we charge are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to Advisory Clients. We do not share in or receive any portion of such fees. Please refer to the Item 12 below for additional information regarding our brokerage practices.

### **D. Prepayment of Advisory Client Fees**

For asset-based fees, we do not require prepayment. Our fees will either be paid directly by the client or disbursed to us by the qualified custodian of the client's investment accounts, subject to the Advisory Client's prior written consent. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

For financial and estate planning fees, we require 50% to be paid in advance prior to the start of the project.

### **E. External Compensation for the Sale of Securities to Clients**

Our advisory professionals are compensated primarily through a salary and bonus structure. Our advisory professionals may be paid sales, service or administrative fees for the sale of mutual funds or other investment products. Our advisory professionals may receive commission-based compensation for the sale of insurance products. Investment adviser representatives, in their capacity as The Leaders Group registered representative, are prohibited from earning an advisory fee on the securities value transferred from an Advisory Client's brokerage account unless commissions earned on such securities transactions occurred at least a 12–18 months prior to the transfer. Please see Item 10.C. below for detailed information and conflicts of interest.

### **F. Important Disclosure – Custodian Investment Programs**

Please be advised that certain of the firm's investment adviser representatives are registered with a broker-dealer and/or the firm is a broker-dealer or affiliated with a broker-dealer. Under these arrangements, we can access certain investment programs offered through the broker-dealer that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. As such, the investment adviser representative and/or the firm may have an economic incentive to recommend the purchase of 12b-1 or revenue share class mutual funds offered through the broker-dealer platform rather than from the investment adviser platform.

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

**Limitation on Mutual Fund Universe for Custodian Investment Programs:** Please note that as a matter of policy we prohibit the receipt of revenue share fees from any mutual funds utilized for our advisory clients' portfolios. There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

**Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:** Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances (i) where our adviser representative is also licensed as a registered representative of a broker-dealer and receives a portion of 12b-1 and or revenue sharing fees as

compensation – such compensation creates an incentive for the investment adviser representative to use programs which utilize funds that pay such additional compensation; and (ii) where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

**Additional Disclosure Concerning Wrap Programs:** To the extent that we either sponsor or recommend wrap fee programs, please be advised that certain wrap fee programs may (i) allow our investment adviser representatives to select mutual fund classes that either have no transaction fee costs associated with them but include embedded 12b-1 fees that lower the investor's return ("sometimes referred to as "A-Shares," depending on the mutual fund issuer), or (ii) allow the use of mutual fund classes that have transaction fees associated with them but do not carry embedded 12b-1 fees (sometimes referred to as "I-Shares," depending on the mutual fund sponsor). Wrap fee programs offer investment services and related transaction services for one all-inclusive fee (except as may be described in the applicable wrap fee program brochure). The trading costs are typically absorbed by the firm and/or the investment adviser representative. If a client's account holds A-Shares within a wrap fee program, the firm and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the firm's costs and increases its revenues from the account. Effectively, the cost is transferred to the client from the firm in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the firm or investment adviser representative to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees. As a policy matter, the firm does not allow funds that impose 12b-1 or revenue sharing fees on the client's investment within its wrap fee programs. Clients should understand and discuss with their investment adviser representative the types of mutual fund share classes available in the wrap fee program and the basis for using one share class over another in accordance with their individual circumstances and priorities.

## Item 6: Performance-Based Fees and Side-by-Side Management

As described by a given Private Fund's Offering Documents, we may receive performance fees from Private Funds. Performance-based fees can create an incentive for us to pursue risks to earn higher fees, or prefer one type of investment over another in an effort to achieve the performance fee. Higher risks mean a higher probability of loss, which may conflict with an investor's risk tolerance and investment objectives. Performance fees can also incentivize us to recommend that an Advisory Client allocate more investments to a Private Fund with a performance fee instead of their Advisory Services account with us, or a Private Fund not charging a performance fee in an effort to increase our overall compensation.

## Item 7: Types of Clients

We offer our Advisory Services to various types of clients including high-net-worth individuals, family offices trusts, corporations, partnerships, retirement plans, tax exempt, and other legal entities, as well as managing the Private Funds.

We require a minimum of \$5,000,000 of client assets under management for estate planning projects, and \$1,000,000 of investable assets for Advisory Services.

## Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss

### A. Methods of Analysis & Investment Strategies—Advisory Services

#### A.1. Methods of Analysis

Our analysis is generally confined to reviewing independent investment managers' performance track record, investment style, risk metrics, disclosure, and related information to ensure the manager is the most appropriate manager to manage one or more asset classes within the recommended asset allocation structure.

### A.2. Investment Strategies

After meeting with you, understanding your investment objectives, risk tolerances, time horizon, and your general overall financial circumstance, we will provide you with a recommended asset allocation, which will often be a blend of equities (stocks), fixed income (bonds) and cash. We commonly will recommend the services of unaffiliated third-party managers that specialize in the management of equity and fixed income securities.

We offer portfolio management services through SEI or Alamar Capital Management, unaffiliated SEC-registered investment advisers ("**SEI**" or "**Alamar**"). Using the tools provided by SEI or Alamar, we can identify and recommend to you third-party investment manager(s) to meet your asset allocation needs. These unaffiliated managers may manage your assets on an individual separate account basis. SEI or Alamar's platform provides us and you with:

- Investment manager profiles
- Quantitative screening
- Qualitative screening
- Ongoing performance monitoring

In addition, SEI or Alamar provides us with ongoing training and marketing support. Our Advisory Clients incur no additional costs or expenses for our membership with SEI or Alamar. Please understand that the receipt of marketing and ongoing training may influence our decision to recommend the services or service platform of SEI or Alamar.

Equity or stock managers will be identified based upon their investment focus (e.g. stock of large, medium, or small market capitalization companies) and style (e.g. growth versus equity). Through our SEI or Alamar participation, we monitor our recommended managers and a pool of prospective managers in order to help ensure that these managers are performing as identified. Commonly contingent upon the amount of investible assets, our recommended managers may engage in individual stock selection on an account-by-account basis or may manage assets on a pooled basis, such as through mutual funds or exchange traded funds ("**ETFs**"). In addition, select third-party separate account managers may impose minimum investment amounts that are subject to change and may, in some instances, necessitate closing of an account in the case of a higher account minimum that cannot be met.

Fixed income (bond) managers are selected based upon their identified investment focus such as core, high-yield, municipal bonds, defensive, and even international/global strategies.

Our investment strategies may include long-term and short-term purchases, trading (securities sold within 30 days) and sales, and the use of margin. You may place reasonable restrictions on the strategies to be employed in your portfolio and the types of investments to be held in your portfolio.

### A.3. Risk of Loss

Investing in securities involves risk of loss that all clients should be prepared to bear. As with all investments, there are inherent, unavoidable and often unforeseeable risks in investing in securities. These risks will vary depending on the nature of the investment, the strategy pursued, the type of instrument used to pursue or give effect to that strategy, the conditions and performance of the U.S. and global economies, as well as the performance/financial condition of the individual company or entity issuing the security. As with all investments, the value of the investment at the time of sale will fluctuate and might be greater or less than the value at the time of purchase. Primary risks inherent in investing in the types of securities used for client accounts include, but are not limited to, risk of loss of principal; interest-rate risk; credit risk; reinvestment risk; economic risk; political risks and currency risk (principally for foreign securities); liquidity risk; risk of default; inflation and market volatility in general.

While we seek to assess the merits of investing in a particular security or recommending a third-party investment manager based upon an assessment of the perceived risks and potential rewards, there are no assurances that our assessments will be correct or that subsequent events or company, market, or investment manager changes will not render the assessment incorrect at a later time.

#### **A.4. Important Disclosure – Custodian Investment Programs**

We utilize certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered by our custodian that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please see Item 5.A. of this Brochure for detailed information.

#### **A.5. Material Risks of Investment Instruments**

We typically engage third-party investment managers for asset management services. However, we and/or our third-party investment managers may recommend the following types of securities:

- Equity securities
- Mutual fund securities
- ETFs
- Fixed income securities
- Private placements
- Pooled investment vehicles
- Structured products
- Mortgage-backed securities
- Variable annuities

##### **A.5.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

##### **A.5.b. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

##### **A.5.c. ETFs**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can

severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.5.d. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **A.5.e. Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

#### **A.5.f. Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, the firm will be unable to monitor or verify the accuracy of such performance information.

#### **A.5.g. Structured Products**

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high investment grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

#### **A.5.h. Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by

governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, the firm may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

#### **A.5.i. Variable Annuities**

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

#### **A.6. Material Risks of Investment Instruments**

Investments are not guaranteed, and may lose value—Private Funds are no different. The following are some additional risks typically associated with Private Fund structures, though a person considering an investment in a given Private Fund should review its Memorandum carefully for risks particular to that Private Fund, in addition to the conflicts of interest described therein.

*Multiple layers of expenses.* If a Private Fund invests in other investment vehicles—such as mutual funds or other private funds—an investor will bear his or her share of the Private Fund's investing expenses, as well as the expenses of the Private Fund itself. Thus, the Private Fund may have to achieve a higher return to account for multiple layers of expenses.

*Limited or no liquidity.* Depending on a Private Fund's objectives and strategies, it may condition liquidity, or may severely restrict it. Thus, an investment in a Private Fund may function considerably different than directly owning stocks we may recommend to advisory clients.

*Illiquid investments.* Private Funds may invest in interests in assets for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on transfer. The market prices, if any, for such assets tend to be volatile and may fluctuate due to a variety of factors that are inherently difficult to predict, including changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of obligors on the Private Fund's assets. A Private Fund may be unable to sell assets when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.

*Changes in environment.* A Private Fund's investment program may be intended to extend over a period of years during which the business, economic, political, regulatory, and technology environment within which it operates may undergo substantial changes, some of which may be adverse to them.

*Taxation.* Certain federal tax risks relating to an investment in a Private Fund are discussed in the applicable Offering Documents. It is possible that the tax consequences of an investment in a Private Fund may change.

## **B. Advisory Services Investment Strategy & Method of Analysis Material Risks**

Our Advisory Services investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **B.1. Margin Leverage**

Although we, as a general business practice, do not utilize leverage, there may be instances in which ETFs, other separate account managers and, in very limited circumstances, the Firm will utilize leverage. The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

## **C. Security-Specific Material Risks**

There is an inherent risk for Advisory Clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.



## Item 10: Other Financial Industry Activities and Affiliations

### A. Broker-Dealer Registration

Sanford Schmidt is a registered representative of The Leaders Group, a FINRA-registered broker-dealer and member of SIPC. As a result, he is subject to the oversight of The Leaders Group and the Financial Industry Regulatory Authority, Inc. ("FINRA"). As such, Advisory Clients should understand that their personal and account information is available to FINRA and The Leaders Group personnel in the fulfillment of their oversight obligations and duties.

Our professionals who effect transactions for advisory clients may receive transaction or commission compensation from The Leaders Group. The recommendation of securities transactions for commission creates a conflict of interest in that we or our representatives are economically incented to effect securities transactions for Advisory Clients. Although we strive to put our clients' interests first, such recommendations may be viewed as being in the best interests of us or our representative rather than in the client's best interest. Advisory Clients are not compelled to effect securities transactions through The Leaders Group.

### B. Futures or Commodity Registration

Neither Catalyst Wealth nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest

#### C.1. Insurance Activities

Sanford Schmidt is President and a licensed insurance agent of Schmidt Financial Group and may recommend insurance products offered by various insurance carriers. Please be advised that there is a potential conflict of interest in that there is an economic incentive to recommend insurance carriers and other investment products offered through such insurance carriers. We strive to put our clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with our representatives' broker-dealer.

#### C.2. Alternative Investment Products

We may recommend one or more of the following alternative investment sponsors to Advisory Clients for consideration: CA Ventures, Banner Property Management, Intrinsic Edge, Edgewater Funds, Cedar Street Companies, Creative Wealth Media Finance Corp, and Bron Creative USA Corp. Certain Advisory Clients may have material relationships with these sponsors (i.e., entity ownership, investments, or managerial positions). A recommendation of one or more of these product sponsors may be viewed as being in our best interests in respect of maintaining and growing relationships with such clients that have material relationships with these alternative product sponsors.

#### C.3. Catalyst Wealth Management Proprietary Private Funds

Catalyst Wealth Management is the investment manager for proprietary Private Funds. Sanford Schmidt serves as director of the Private Funds.

We may solicit our clients to invest in the Private Funds. A potential conflict of interest arises in that there is an economic incentive for us to solicit clients to invest directly in the Private Funds versus a separately managed account. We receive a performance fee allocation based upon the Private Funds' cumulative investment performance. Performance-based fees may create an incentive for the investment manager to incur trading and strategy risks that may conflict with an investor's risk tolerance and investment objectives, allocate more favorable investment opportunities to the Private Funds, and allocate more time to the affairs of the Private Funds.

### D. Recommendation or Selection of Other Investment Advisors & Conflicts of Interest

We may recommend SEI or Alamar to manage separate account fixed income and equity portfolios for Advisory Clients. These are solicitor arrangements that are described below in Item 14.A. We have an economic interest in recommending to potential end clients that they utilize the services of SEI or Alamar. Although we strive to put clients' interests first, such recommendation may be viewed as being in our best interests rather than in the best interests of the client.



## Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### A. Code of Ethics

We have adopted policies and procedures designed to detect and prevent insider trading. In addition, we have adopted a Code of Ethics (the “**Code**”). Among other things, the Code includes written procedures governing the conduct of our advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by our chief compliance officer. We will send clients a copy of its Code of Ethics upon written request.

We have policies and procedures in place to ensure that the interests of our clients are given preference over ours, our affiliates and employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### B. Investment Recommendations Involving a Material Financial Interest & Conflicts of Interest

We do not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm’s inventory or buying stocks from advisory clients into a firm’s inventory). We do recommend securities to Advisory Clients in which we have a proprietary or ownership interest.

Under some Private Funds’ Governing Documents, we may have the authority to determine the value of a Private Fund’s assets without the input of any independent party. If a Private Fund compensates us based on the value of the Private Fund, then we will have a conflict of interest in determining the value of the Private Fund’s assets. While in such cases we will determine the Private Fund’s value in good faith, this represents a conflict of interest between us and the Private Fund’s investors. Prospective Private Fund investors should consider these and other conflicts of interest before investing in any Private Fund.

### C. Purchase of Same Securities Recommended to Clients & Conflicts of Interest

We, our affiliates, employees and their families, trusts, estates, charitable organizations and our retirement plans may purchase the same securities as are purchased for clients in accordance with the Code. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which we specifically prohibit. We have adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client’s best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow our procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades & Concurrent Firm Securities Transactions & Conflicts of Interest**

We, our affiliates, employees and their families, trusts, estates, charitable organizations, and our retirement plans may effect securities transactions for their own accounts that differ from those recommended or effected for clients. We will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). Our policy is to place the clients' interests above those of the Firm and its employees.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Broker-Dealers for Client Transactions**

#### **A.1. Custodian Recommendations**

We require Advisory Clients to establish brokerage accounts with those custodians utilized by either Interactive Brokers or SEI within their managed account platforms. Catalyst Wealth is independently owned and operated and not affiliated with any custodian. For Advisory Client accounts, the custodian may or may not charge separately for custody services but may be compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

In certain instances, we will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian we recommend will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### **A.1.a. Soft Dollar Arrangements**

We do not utilize soft dollar arrangements, nor do we direct brokerage transactions to executing brokers for research and brokerage services.

##### **A.1.b. Institutional Trading & Custody Services**

Custodians may provide us with access to their institutional trading and custody services, which are typically not available to the custodians' retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at the custodian. Custodians' brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or that would require a significantly higher minimum initial investment.

##### **A.1.c. Other Products & Services**

Custodians also make available to us other products and services that benefit us but may not directly benefit clients' accounts. Many of these products and services may be used to service all or some substantial number of our accounts, including accounts not maintained at the custodian. Custodians may also make available to us software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts

- provide research, pricing and other market data
- facilitate payment of our fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

Custodians may also offer other services intended to help us manage and further develop our business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

Custodians may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend that Advisory Clients custody their assets at the custodian, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

#### **A.1.d. Independent Third Parties**

Custodians may make available, arrange, and/or pay third-party vendors for the types of services rendered to us. Custodians may discount or waive fees they would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to us.

#### **A.1.e. Private Fund Brokerage**

A Private Fund's Offering Documents will explain our authority to select brokers and the amount of commissions charged to the Private Fund, as well as our best execution duties.

### **A.2. Brokerage for Client Referrals**

We do not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

### **A.3. Directed Brokerage**

#### **A.3.a. Catalyst Wealth Recommendations**

If requested by an Advisory Client, we may recommend a variety of custodians for clients' funds and securities and to execute securities transactions on its clients' behalf.

#### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct us to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage we derive from aggregating transactions. We lose the ability to aggregate trades with other Advisory Client accounts, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

Under the terms of our investment advisory agreement with Advisory Clients, we have discretionary authority to determine which securities are to be bought and sold, the amount of such securities, the executing broker, and the commission rates to be paid to effect such transactions. We recognize that the analysis of execution quality involves a number of factors, both qualitative and quantitative. We follow a process in an attempt to ensure that we are seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected

- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with our fiduciary responsibilities, we seek to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of our knowledge, these custodians provide high-quality execution, and our clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon our own knowledge of the securities industry, we believe that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **B.2. Security Allocation**

Since we may be managing accounts with similar investment objectives, we may aggregate orders for securities for Advisory Client accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by the Firm in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Our allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. We will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Our advice to certain clients and entities and our action for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular Advisory Client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of the Firm to or on behalf of other clients.

### **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one Advisory Client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if we believe that a larger size block trade would lead to best overall price for the security being transacted.

#### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including the size of each client's allocation, Advisory Clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

We act in accordance with our duty to seek best price and execution and will not continue any arrangements if we determine that such arrangements are no longer in the best interest of our clients.

### **Item 13: Review of Accounts**

#### **A. Schedule for Periodic Review of Client Accounts or Financial Plans & Advisory Persons Involved**

We will work with the Advisory Client and any advisors designated by the client's other adviser(s) in the implementation and execution of all planning recommendations. No periodic reviews will be provided unless otherwise agreed upon with the client.

The management and monitoring of the Private Funds is done by our staff of professionals as described in the Private Funds' Offering Documents.

#### **B. Review of Client Accounts on Non-Periodic Basis**

We may perform ad hoc reviews on an as-needed basis if there have been material changes in the Advisory Client's investment objectives or risk tolerance, or a material change in how we formulate investment advice.

#### **C. Content of Client-Provided Reports & Frequency**

We do not provide reports to clients other than financial planning reports under contractual obligations to clients. Please refer to the independent investment manager's disclosure brochure for information with respect to the content of client provided reports and frequency of such reports.

The Advisory Client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports we create.

### **Item 14: Client Referrals and Other Compensation**

#### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

The firm acts as an endorser and receives compensation for referring prospective clients to third-party investment managers. Generally, when the firm acts as an endorser, it is compensated through receipt of a portion of the advisory fees collected from the referral partner's clients. The receipt of such fees creates a conflict of interest in that the firm is economically incented to recommend the services of the referral partner because of the existence of a fee sharing arrangement with the referral partner.

#### **B. Advisory Firm Payments for Client Referrals**

The firm may enter into arrangements with endorsers, promoters, solicitors, or with clients for testimonials (herein collectively referred to as "endorser") who will endorse the advisory firm for compensation. Agreements are required when compensation to the endorser is equal to or greater than \$1,000. The receipt of such compensation creates a conflict of interest in that the endorser is economically incented to endorse our firm. Please be advised that the firm's payment of compensation to the endorser does not increase the client's advisory fee paid to the firm.

## **Item 15: Custody**

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account. Private fund investors will receive fund level statements of all activity, cash balances, and portfolio holdings on a quarterly basis from their qualified custodian.

In certain instances, the firm or its affiliate is a managing member or general partner to a private fund vehicle. An independent public accountant annually audits a pooled investment vehicle(s) the firm manages and the audited financial statements are distributed to the investors in the pooled vehicle within 120 days from the end of the private fund's fiscal year end or 180 days in the event of a feeder/master fund structure.

In certain other instances, the firm or its affiliate is a managing member or general partner to a private fund vehicle. An independent public accountant performs a surprise custody exam for pooled investment vehicles because the pooled investment vehicle maintains its securities with a qualified custodian, and does not obtain an annual financial audit.

## **Item 16: Investment Discretion**

Advisory Clients may grant us a limited power of attorney for trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, we will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the executing broker to be used, and the amount of commissions to be paid. In addition, we have discretionary authority to retain and terminate third-party managers. Investment limitations may be designated by the client as provided in the investment advisory agreement. Please see the applicable third-party manager's disclosure brochure for detailed information relating to discretionary authority.

We act as a general partner or manager for Private Funds. As such and depending on a Private Fund's Governing Documents, we typically have full discretionary authority to act on behalf of a Private Fund in all aspects. Such activity includes acquisition and disposition of the Private Fund's assets, control of the Private Fund's bank accounts, the selection of third-party vendors (some of whom may be affiliates and receive compensation from the applicable Private Fund), selection of advisers, authorizing terms of contractual agreements, and any and all matters related to the operation, financing, and management of the Private Funds.

## **Item 17: Voting Client Securities**

We do not take discretion with respect to voting proxies on behalf of Advisory Clients. We will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of our supervised and/or managed assets. In no event will we take discretion with respect to voting proxies on behalf of Advisory Clients.

Except as required by applicable law, we will not be obligated to render advice or take any action on Advisory Clients' behalf with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of Advisory Clients will be the subject of class action lawsuits. We have no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. We also have no duty to evaluate an Advisory Client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, we have no obligation or responsibility to initiate litigation to recover damages on behalf of Advisory Clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where we receive written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by an Advisory Client, we will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

Private Fund Offering Documents explain our proxy voting authority and policies.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Catalyst Wealth does not require the prepayment of fees of \$500 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Catalyst Wealth does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.

## **Item 19: Requirements for State-Registered Advisors**

### **A. Principal Executive Officers and Management Persons**

Sanford Schmidt is the Managing Member of Catalyst Wealth. Education and business background information are included in the Brochure Supplement provided with this Brochure.

### **B. Outside Business Activities Engaged In**

Any outside business activities engaged in by the firm's managers are disclosed in Item 10 of this Brochure and/or Part 2B Brochure Supplement.

### **C. Performance-Based Fee Description**

Catalyst Wealth we may receive performance fees from Private Funds. See Item 6 of this Brochure.

### **D. Disclosure of Material Facts Related to Arbitration or Disciplinary Actions Involving Management Persons**

The firm has no material facts related to arbitration or disciplinary actions involving management persons to disclose.

### **E. Material Relationships Maintained by this Advisory Business or Management Persons with Issuers of Securities**

Any material relationships maintained by this advisory business or management persons with issuers of securities are disclosed under Item 10 of this Brochure.